



ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: August 30, 2013

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- Norfolk's unemployment rate in July stood at 7.5 percent (not seasonally adjusted), which was below the previous month's rate (7.6 percent) and the previous year's rate (8.7 percent). (See page 1)
- Virginia's nonfarm employment (not seasonally adjusted) rose year-over-year in July by 1.49 percent (or 55,300 jobs) to 3,774,900 jobs from 3,719,600 jobs in July 2012, the 39th consecutive month of year-over-year increase. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) rose 2.8 percent (or 21,000 jobs) to 770,100 in July from 749,100 jobs in July 2012, the 30th consecutive month of year-over-year increase since February 2011. (See page 2)
- From January to July 2013, the average sales price of homes sold in Hampton Roads rose to \$233,069 from \$221,973, a 5.1 percent increase from the same period last year. (See page 3)
- In Norfolk, the average price of homes sold also increased year-to-date through July by 12.7 percent, from \$175,639 to \$197,974. The increase was seen in the average sales price of both existing and new homes. (See page 3)
- The number of housing units in Norfolk authorized by building permits through July was up by 358 units, mainly due to housing units permitted in multi-family structures. (See page 4)
- In FY 2013, Norfolk sales taxes were up 1.1 percent (or \$326,800). However, a correction for an overpayment by the Virginia Department of Taxation during the 2012 calendar year reduced sales tax collections in FY 2013 and FY 2012. Excluding the correction in both fiscal years, sales taxes were up 1.4 percent (or \$403,800). (See page 5)
- Real GDP increased at an annual rate of 2.5 percent (second estimate) in the second quarter of 2013, faster than the 1.1 percent annual rate in the first quarter. (See page 6)

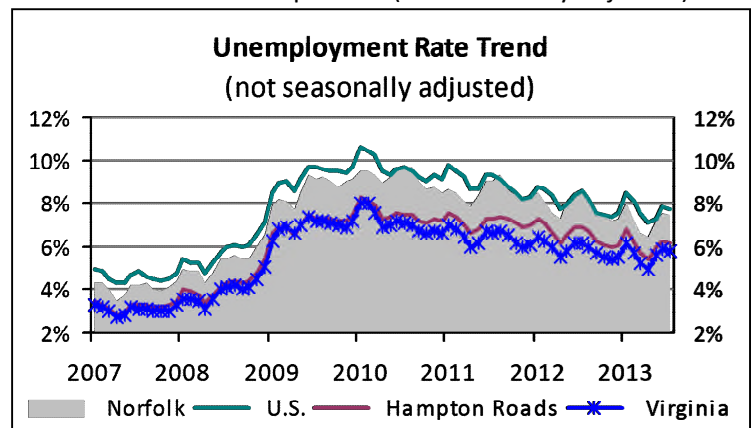
Residential Employment

Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	July 2013*	June 2013	July 2012	10-Year Average
Norfolk	7.5%	7.6%	8.7%	6.4%
Chesapeake	6.0%	6.1%	6.5%	4.8%
Hampton	7.1%	7.1%	8.1%	5.9%
Newport News	6.6%	6.7%	7.5%	5.7%
Portsmouth	7.7%	7.8%	9.1%	6.5%
Suffolk	6.5%	6.5%	7.2%	5.3%
Virginia Beach	5.5%	5.6%	5.8%	4.4%
Hampton Roads	6.2%	6.3%	6.9%	5.1%
Virginia	5.8%	5.9%	6.2%	4.8%

The Virginia Employment Commission (VEC) reported that Norfolk's unemployment rate (not seasonally adjusted) fell to 7.5 percent in July, which was below last year (July 2012) and last month's rate (June 2013) by 1.2 percentage point and 0.1 percentage point, respectively. The unemployment rate in the region and in the state also fell year-over-year and from the previous month. According to the VEC, the unadjusted rate usually decreases from June to July as students entering the labor market who have not found summer employment leave the labor force.

Norfolk's unemployment rate has declined year-over-year in every month since October 2010. The year-over-year decline in July reflected a decline in unemployed Norfolk residents by 1,257 (13.5 percent), while employed residents grew by 2,628 (2.7 percent) and the labor force expanded by 1,371 residents (1.3 percent). Norfolk's unemployment rate remained below the national rate of 7.7 percent (not seasonally adjusted).

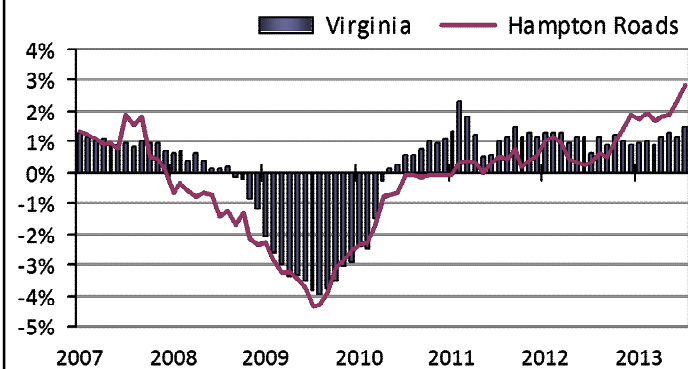


Source: Virginia Employment Commission and U.S Bureau of Labor Statistics.

* Preliminary figures, subject to revision in the following month.

State and Regional Job Growth

State and Regional Monthly Job Growth
(percentage growth over previous year)



Virginia's nonfarm employment (not seasonally adjusted) rose year-over-year in July by 1.49 percent (or 55,300 jobs) to 3,774,900 jobs from 3,719,600 jobs in July 2012, the 39th consecutive month of year-over-year increase that began May 2010. The statewide job growth was broad based, and among the major industries, only information, federal government, construction, and mining/logging (not shown in the table below) saw a decline in employment.

In Hampton Roads, nonfarm employment (not seasonally adjusted) also rose year-over-year in July by 2.8 percent (or 21,000 jobs) to 770,100 from 749,100 jobs in July 2012, the 30th consecutive month of year-over-year increase since February 2011. Like the state, employment declined in only a few major industries: retail/wholesale trade; information; and federal government. Other Virginia metropolitan areas also saw a year-over-year increase in nonfarm employment (not seasonally adjusted), except Charlottesville, where jobs fell 2.91 percent (2,400 jobs).

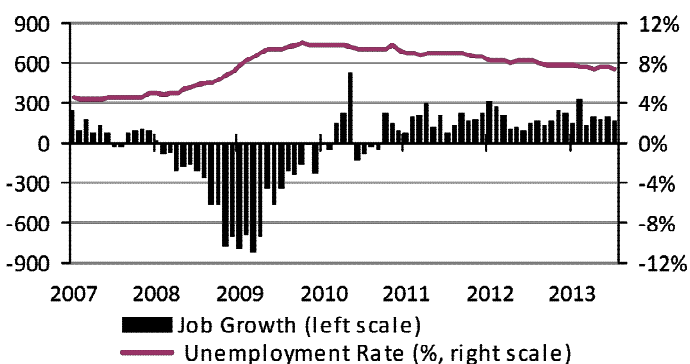
July Job Change in Select Industries

(not seasonally adjusted¹; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	4,300	-100
Manufacturing	2,000	1,300
Trade (Retail and Wholesale)	-1,200	7,900
Transportation and Utilities	0	2,600
Information	-200	-700
Financial Activities	3,900	9,400
Professional and Business Services	3,500	4,600
Educational and Health Services	3,800	12,900
Leisure and Hospitality	4,600	10,000
Government	100	8,400
<i>Federal Government</i>	-1,200	-1,900
<i>State Government</i>	700	1,400
<i>Local Government</i>	600	8,900

National Job Growth

National Job Growth and Unemployment
(job growth in thousands over previous month)



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose by 162,000 jobs in July, bringing the number of jobs added year-to-date (YTD) to nearly 1.35 million. This represents an average of 192,000 jobs added per month. The jobs added YTD have mainly been in the private sector (1.369 million jobs), while the public sector overall continued to shed jobs (22,000 jobs). However, within the public sector, local government has added 46,000 jobs YTD. Since February 2010 when total employment was at its lowest, the economy added about 6.7 million jobs, which was at least three-quarters of the 8.7 million jobs lost from January 2008 to February 2010. In July, the seasonally adjusted unemployment rate fell slightly to 7.4 percent from 7.6 percent in June.

National Job Change by Industry

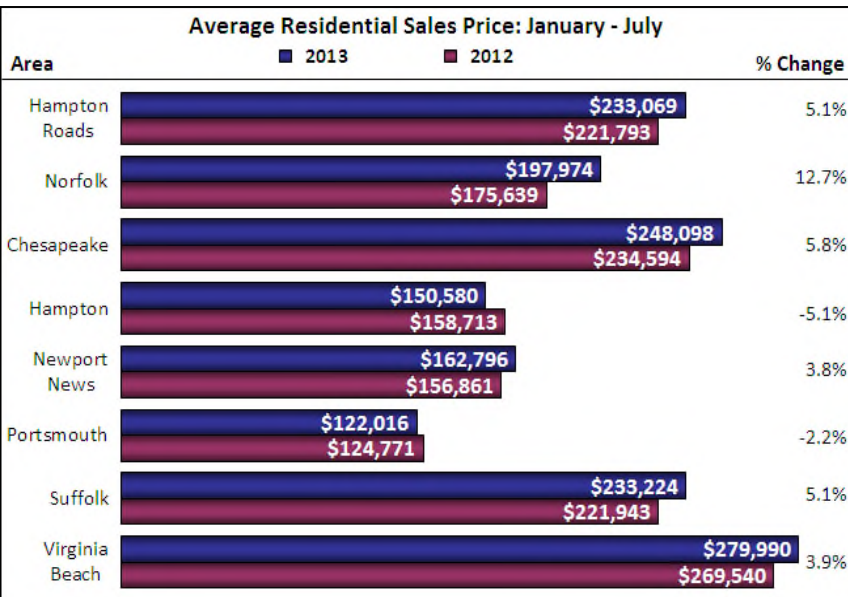
(seasonally adjusted; June/July growth are from previous month)

	June 2013 ³	July 2013 ²	CY 2013 YTD ²
Mining & Logging	3,000	4,000	15,000
Construction	8,000	-6,000	82,000
Manufacturing	-3,000	6,000	24,000
Trade/Transportation/Utilities	48,000	63,000	215,000
Information	-4,000	9,000	24,000
Finance	13,000	15,000	77,000
Professional/Business Services	61,000	36,000	434,000
Educational/Health Services	16,000	13,000	179,000
Leisure and Hospitality	57,000	23,000	308,000
Other Services	-3,000	-2,000	11,000
Government	-8,000	1,000	-22,000
<i>Federal Government</i>	-10,000	-2,000	-53,000
<i>State Government</i>	-9,000	-3,000	-15,000
<i>Local Government</i>	11,000	6,000	46,000
Total Job Growth	188,000	162,000	1,347,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on regional employment by industry available on a not seasonally adjusted basis only. ² Preliminary. ³ Revised.

Regional Housing Market

Jan. - July Home Sales	Housing Units Sold		Average Days on Market	
	2012	2013	2012	2013
Hampton Roads	11,328	12,597	100	91
Norfolk	1,419	1,530	98	92
Chesapeake	1,810	2,075	86	77
Hampton	807	798	109	100
Newport News	927	1,019	101	101
Portsmouth	648	717	107	99
Suffolk	645	754	105	95
Virginia Beach	3,308	3,614	88	76



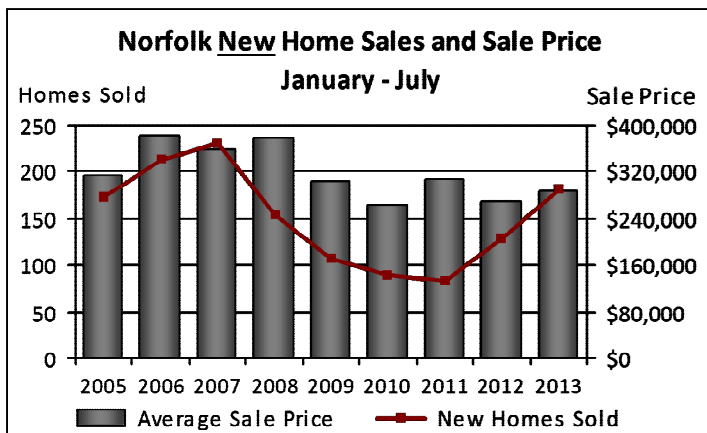
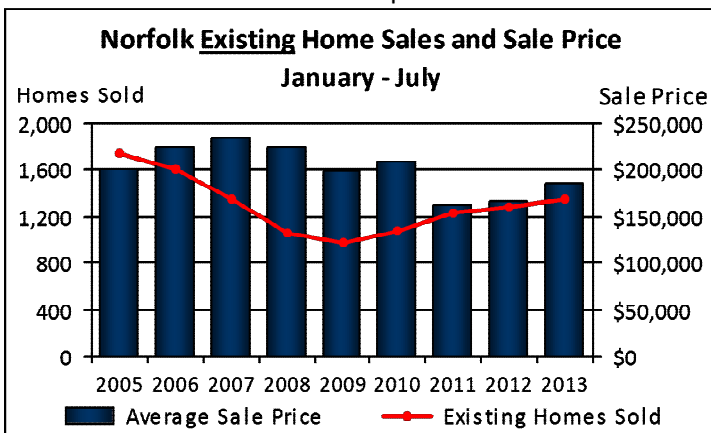
From January through July 2013, the average sales price of homes sold in the Hampton Roads region rose 5.1 percent to \$233,069 compared to \$221,973 during the same period last year, according to the Real Estate Information Network (REIN). Among the seven major cities in the region, Norfolk had the largest year-over-year percentage increase in the average sales price of homes sold year-to-date (YTD) at 12.7 percent, while Hampton and Portsmouth both saw a year-over-year decline of 5.1 percent and 2.2 percent, respectively. However, compared to the average sales price for all of 2012, the increase for the region and Norfolk was 3.5 percent and 8.6 percent, respectively.

Home sales in the region continued to increase from the same period last year. Home sales YTD were up 11.2 percent in the region. All but Hampton had a slight decline (9 homes) in home sales YTD, among the seven major cities in the region. REIN pointed to the "threat of rising interest rates and increasing home prices are spurring homebuyers to make purchase decision now instead of continuing to wait." Homes sold is likely to continue grow in the near term, with pending sales (homes under contract) being up 21.16 percent in July from last year. REIN reported, Norfolk and Hampton had the largest increase at 41.88 percent and 36.61 percent, respectively, among the region's seven major cities. REIN also indicated the inventory of homes for sale held steady in July, down only 0.92 percent from last year.

Norfolk Housing Market

From January through July, existing home sales in Norfolk continues to be slightly above the same period last year by 4.5 percent (58 homes), from 1,290 homes sold last year to 1,348 homes sold this year. The average sales price of existing homes sold through July was also up from last year by 12 percent, from \$166,200 to \$186,100. The increase in price reflected a decline in existing homes sold for under \$100,000, which accounted for nearly 27 percent of existing homes sold, compared to about 33 percent in the past two years.

New home sales also increased YTD by 53 homes (or 41 percent), from 129 homes sold last year to 182 homes sold this year. The average sales price of new homes also increased 5.8 percent, from \$270,400 to \$286,000. The rise in price reflected an increase in new homes sold in the \$200,000 range. Overall, existing and new homes combined, homes sales in Norfolk rose 7.8 percent.



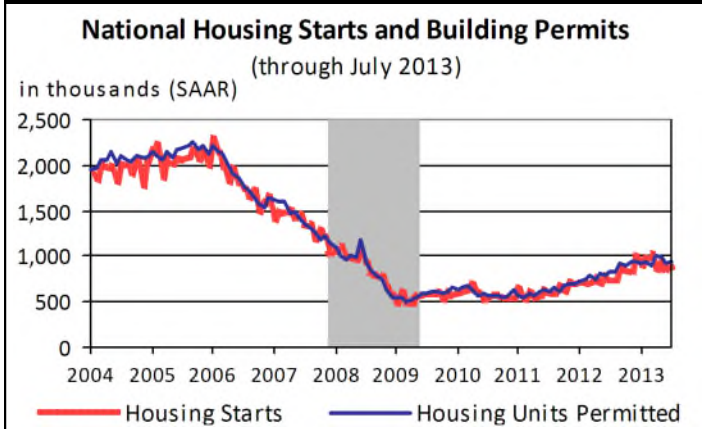
Source: Real Estate Information Network (REIN)

National Housing Market

Existing home sales nationally rose 6.5 percent in July from the previous month (June 2013) to a seasonally adjusted annual rate (SAAR) of 5.39 million. Existing home sales were also above last year's rate by 17.2 percent, the 25th consecutive month of year-over-year increase. New home sales, however, fell 13.4 percent from last month to 394,000 (SAAR), the lowest rate since October 2012 but remained above last year's rate by 6.8 percent. NAR indicated "the initial rise in interest rates provided strong incentive for closing deals. However, further rate increases will diminish the pool of eligible buyers." NAR identified several factors expected to mitigate the negative impact rising interest rates may have on the housing recovery such as, job growth, normalizing underwriting standards, and increase in the inventory of homes for sale with rising housing starts.

The average sales price of existing and new homes sold in July both rose from last year by 10.2 and 14.3 percent to \$260,100 and \$322,700, respectively.

National New Residential



Privately-owned housing starts in July rose 5.9 percent from last month to a seasonally adjusted annual rate (SAAR) of 896,000, after falling 7.9 percent (revised) last month. The monthly increase was mainly from multi-family housing starts, while single-family housing starts declined. Housing starts were also above the previous year's rate by 20.9 percent (July 2012), due to both single and multi-family housing starts.

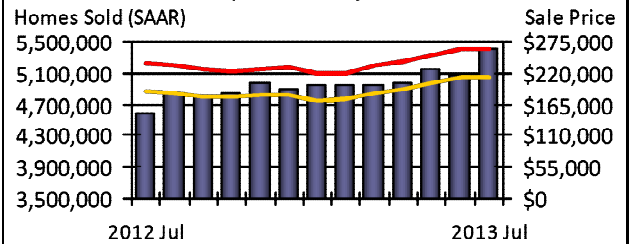
Housing starts may be boosted next month with the slight increase in privately-owned housing units authorized by building permits in July to 943,000 (SAAR) from 918,000 (revised) in June. This 2.7 percent monthly increase came after two straight months of decline.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is defined as completed when all finished flooring has been installed or at the time of occupancy.

Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Economic Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

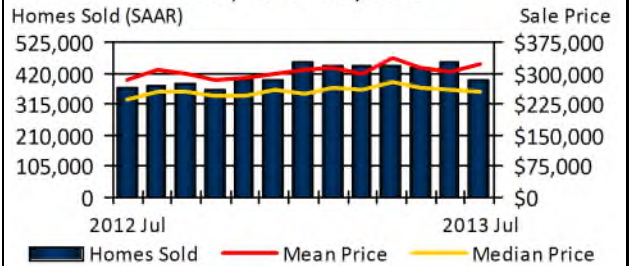
Existing Home Sales and Sale Price

July 2012 - July 2013



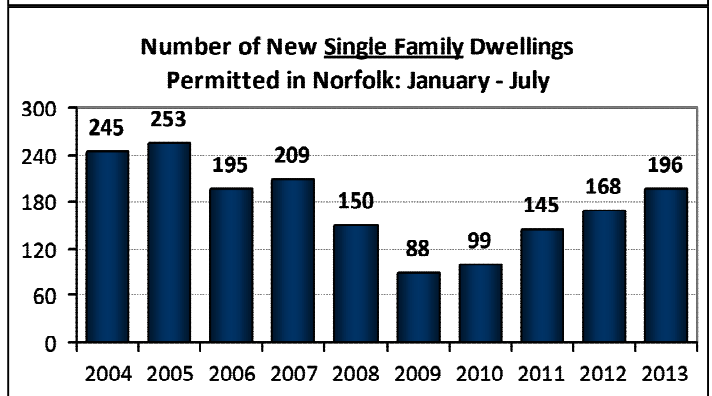
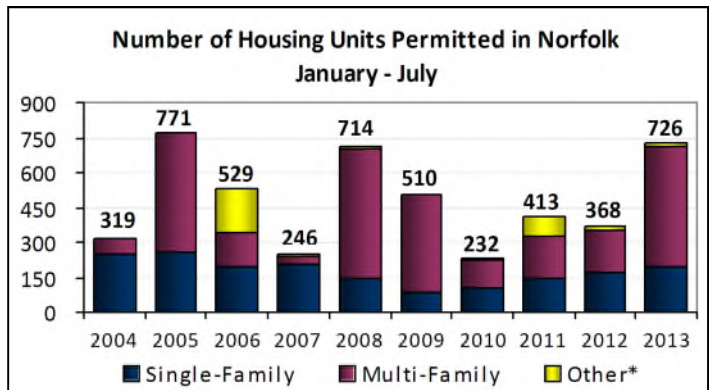
New Home Sales and Sale Price

July 2012 - July 2013



Norfolk Residential Building Permits

From January through July, the number of housing units permitted in Norfolk rose by 358 units, from 368 last year to 726 this year. The increase year-to-date continues to be mainly from housing units permitted in multi-family structures, which increased further in July with the permitting of two large projects, Element at Ghent and Point at Pickett Farms. Single-family homes permitted are also up at a more moderate pace by 28 units (16.7 percent). Single-family housing units permitted were at their highest level since 2008.

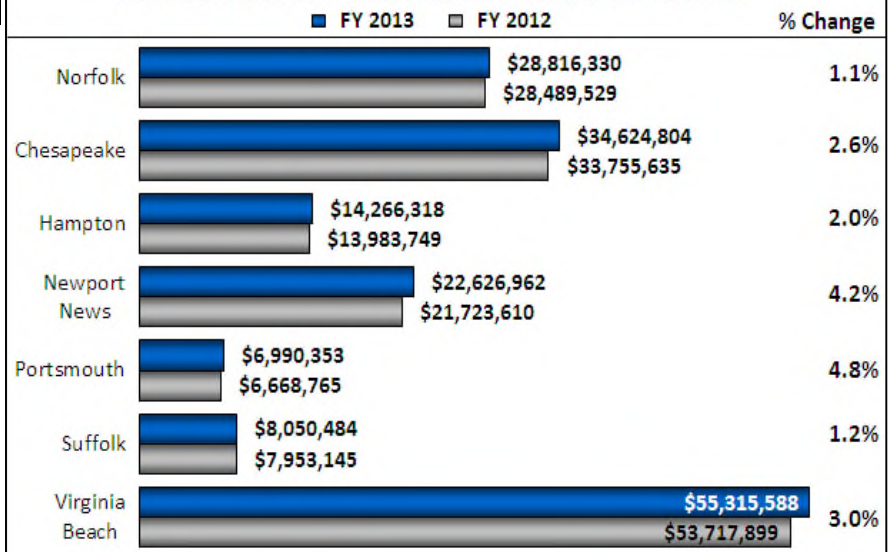


Norfolk and Regional Sales Tax

Norfolk sales tax collections in FY 2013 totaled about \$28.8 million, a 1.1 percent (or about \$326,800) increase from FY 2012. However, a correction for an overpayment by the Virginia Department of Taxation during the 2012 calendar year reduced sales tax collections in both fiscal years. Excluding the correction from both fiscal years, Norfolk sales tax collections totaled \$29.7 million in FY 2013 compared to \$29.3 million in FY 2012, an increase of about 1.4 percent.

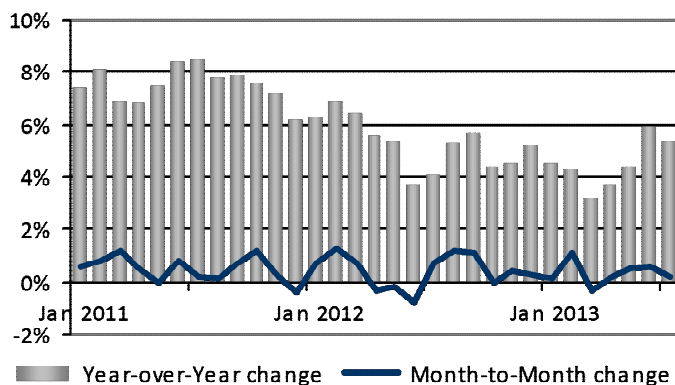
Sales tax collections in FY 2013 increased in all seven major cities of the region and ranged from 1.2 percent (Suffolk) to 4.8 percent (Portsmouth). Moreover, sales tax collections in Hampton, Portsmouth, Suffolk, and Virginia Beach exceeded their pre-recession peak, although Hampton and Suffolk exceeded their pre-recession peak prior to FY 2013. In contrast, FY 2013 sales tax collections in Chesapeake, Newport News, and Norfolk (excluding the correction for the overpayment) were still below their pre-recession peak by 4.1 percent (\$1.5 million), 2.8 percent (\$0.5 million), and 8.3 percent (\$2.7 million), respectively.

Sales Tax Revenue Fiscal Year 2013 vs. Fiscal Year 2012



National Retail and Food Service Sales

Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)



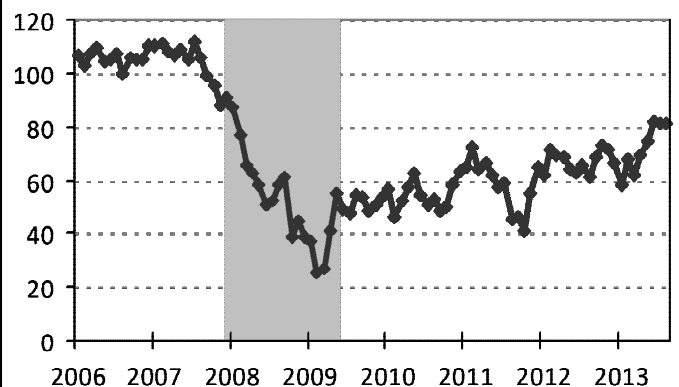
The U.S. Census Bureau reported national retail and food services sales in July rose 0.2 percent (preliminary) from the previous month (June 2013), for the fourth straight month. However, retail and food service sales rose 0.5 percent, after excluding the 1.0 percent decline in sales by motor vehicle and parts dealers (its first monthly decline since March 2013 and the biggest decrease since October 2012). Most of the month-to-month increase in July were from food and beverage stores, gas stations, restaurants and bars, general merchandise and clothing stores, and health/personal care stores.

Compared to the same period last year (July 2012), retail and food service sales continued to increase, rising by 5.4 percent. Retail and food services sales have been rising year-over-year since November 2009. The year-over-year increase in July was fairly broad based. Among the major retail business categories, only electronics/appliance stores and department stores saw a decline.

Source: Virginia Department of Taxation (TAX), U.S. Census Bureau, and Conference Board. Note: Norfolk sales tax amounts from TAX do not necessarily include accounting adjustments reflected in the comprehensive annual financial report.

Consumer Confidence Index

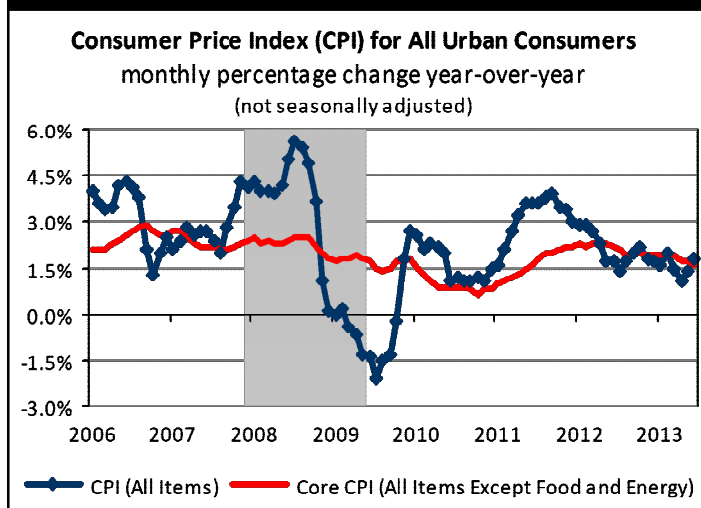
Consumer Confidence Index



The Conference Board reported consumer confidence rose slightly in August to 81.5, after falling to 81.0 in July. The August increase in the Consumer Confidence Index was mostly due to an improvement in the consumer appraisal of future business conditions (as measured by the Expectations Index), which rose to 88.7 in August, after falling in July to 86.0. On the other hand, consumer appraisal of current business conditions (as measured by the Present Situation Index) fell in August to 70.7 from 73.6 in July, the first monthly decline since March 2013.

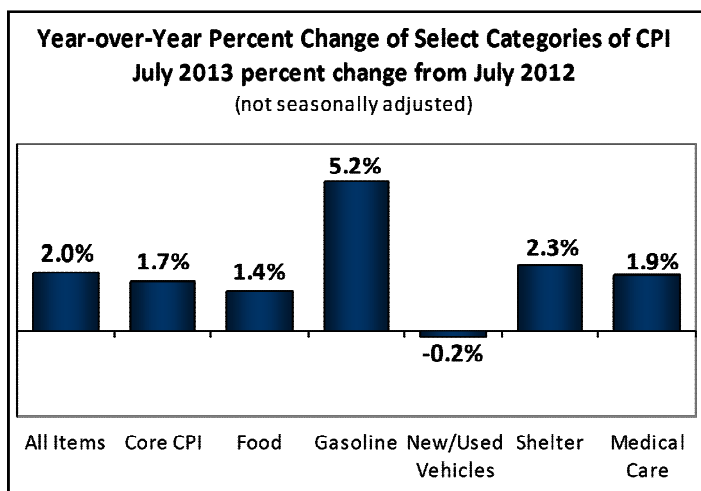
Lynn Franco, Director of Economic Indicators at The Conference Board indicated "Consumer Confidence increased slightly in August, a result of improving short-term expectations. Consumers were moderately more upbeat about business, job and earning prospects. In fact, income expectations, which had declined sharply earlier this year with the payroll tax hike, have rebounded to their highest level in two and a half years."

Consumer Price Index



The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose for the third straight month in July from June by 0.2 percent (seasonally adjusted). BLS indicated that the increase was seen across a broad array of price indexes including gasoline, food, shelter, and medical care. The energy index rose again for the third straight month in July by 0.2 percent, driven by the increase in the gasoline and fuel oil index by 1.0 percent and 1.1 percent, respectively. The food index increased 0.1 percent in July, and the core CPI, which excludes food and energy, increased 0.2 percent.

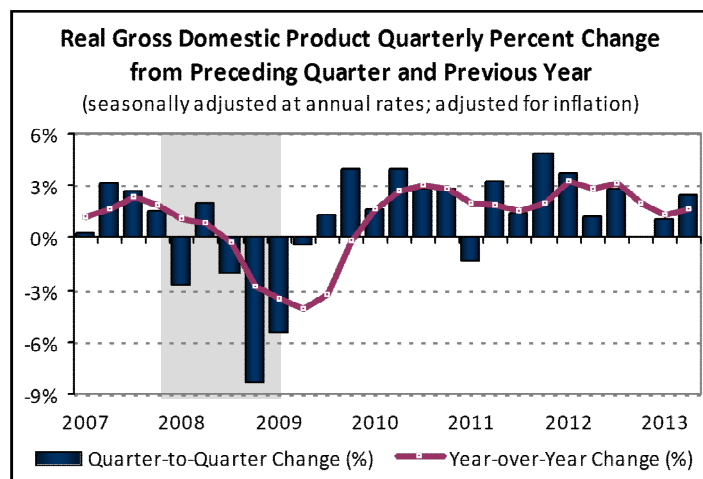
From the previous year, the CPI for all urban consumers rose 2.0 percent before seasonal adjustment. The food index rose year-over-year by 1.4 percent, while the energy index rose 4.7 percent, the largest year-over-year increase since February 2012. The increase in energy was broad based across all the major component indexes: gasoline (5.2 percent); electricity (3.1 percent); natural gas (8.8 percent); and fuel oil (3.4 percent). The core CPI increased 1.7 percent.



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.

Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 2.5 percent (second estimate) in the second quarter of 2013, faster than the 1.1 percent annual rate in the first quarter. BEA indicated the second estimate is based on more complete source data than were available for the first estimate.



Real GDP growth in the second quarter reflected:

- **consumer spending** rising by 1.8 percent;
- **private residential investment** rising by 12.9 percent;
- **business investment in structures, equipment, and intellectual property products** increasing 4.4 percent, after a 4.6 percent decline in the previous quarter;
- **business inventory investment** increasing by \$62.6 billion, after increasing \$42.2 billion and \$7.3 billion in the previous two quarters; and
- **exports** growing by 8.6 percent, compared to a 1.3 percent decrease in the previous quarter.

These increases were offset by a decline in federal, state and local government spending and an increase in imports, which are a subtraction from real GDP.

